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1. In order to obtain foreign exchange, the Communist authorities in Canton somewhat relaxed their restrictions on sales and purchases in Hong Kong in the early part of August 1950. They now permit the export of tung oil from Kwangsi, Szechuan and Yunnan for sale in Hong Kong. The price in the first week of August increased from HK \$140 to HK \$190 per picul (approximately 133 lbs.). Chinese drugs, hides, and raw silk in addition to tung oil were brought by train from Hankow for sale in Hong Kong.
2. Like wolfram, tin and antimony were placed under embargo for export by Canton authorities in late July. As a result, the price of tin rose from HK \$400 to HK \$700 per picul in early August. Most mineral sales in Hong Kong are handled for the Communists by the Nan Chin (南斤) Company, 122 Connaught Road, Central.* Small quantities of tin are being smuggled to the market.
3. A sharp rise in rubber prices, which mounted from HK \$1.75 a pound to HK \$4.50 a pound in early August, was not due to embargoes but allegedly to the cornering of the market by American buyers in Singapore. The reason was rumored to be that they were trying to buy up as much Malayan rubber as possible to prevent its falling into Soviet hands. From the middle of July to the middle of August, the Communists purchased about 6,000 tons of raw rubber from Malaya, largely through Hong Kong, and earlier, from January to June 1950, the total importation of rubber from Malaya to Communist China was 34,622 tons. In July, 9,000 tons of rubber was shipped from Malaya direct to the USSR. There is no embargo on rubber shipments from Malaya to China and the USSR, but shipments out of Hong Kong are subject to license.
4. On 18 and 19 August, freight from Kowloon to Canton included medical supplies, rubber goods, raw rubber, iron pipe, copper wire, steel plates, and machine accessories. All materials such as these, which may be adapted for military use, the Communists are encouraging Hong Kong merchants to ship out into Communist territory before a complete embargo is put on these as well as on

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petroleum products. The limiting of exports on 190 types of goods, as announced on 11 August, caused much confusion among Hong Kong merchants because it was indefinite about which goods required export licenses. Communist interests are profiting by this confusion to increase purchases.

5. In early September the Canton Military Control Council sent HUANG Cho-ming (黃貞明) to Hong Kong to purchase tires. He placed an order with the Hsing Li Hong** for 1000 Michelin tires, at HK \$600 each, 500 Goodyear tires at HK \$750 each, and 500 Majestic tires at HK \$570 each.*** These purchases are to be delivered to HUANG at the end of September, by 10 October and by 20 October respectively. Funds needed for the purchase of the tires will be provided by the Communist Bank of China in Hong Kong. In order to expedite shipment of tires to Canton, HUANG expects to bribe the Hong Kong export license official with HK \$5 for each tire. The Hsing Li Company has offices on the fourth floor of the French Bank Building in Hong Kong. Its manager is CHIN Ch'ang-hsin (金長忻).

25X1A * [] Comment. The Nan Chin Company is probably the Nan Hsin Company,
25X1A 124 Connaught Road, Central. For information on the Nan Hsin Company
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25X1A ** [] Comment. The Hsing Li Company may be the Hing Lee Tire
Company of 443 Reclamation Street. The Reclamation Street address may
25X1A be a branch or the home address of Li Yu, Hing Lee Motorcar Tires
distributor. For further information on the Hing Lee Company see
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25X1A *** [] Comment. These prices, which are given as received, appear quite
high. No explanation was given and no exact conversion into US dollars
was indicated. The exchange rate on 10 September was about HK \$6 to
one US dollar.

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